

**DISCLAIMER**

*This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).*

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 30, 2000

APPLICATION OF

WASHINGTON GAS LIGHT COMPANY

CASE NO. PUE000353

For approval of special  
rates and contract

FINAL ORDER APPROVING SPECIAL RATE  
AND CONTRACT

On July 6, 2000, Washington Gas Light Company ("Washington Gas" or "Company") filed its "Application of Washington Gas Light Company for Approval of Special Rate and Contract Pursuant to Virginia Code § 56-235.2." As proposed in the Application, Washington Gas would provide natural gas delivery and balancing services to a board manufacturing plant operated by Johns Manville International, Inc., in Shenandoah County under the rates and terms negotiated in the agreement for five years. Washington Gas currently provides these services to Johns Manville under its Rate Schedule No. 7.

The Commission established a procedural schedule and directed the Company to give notice of the Application by Order for Notice and Hearing of July 19, 2000. There were no protestants to the application, and no intervenors or public witnesses appeared at the public hearing held October 31, 2000.

Before the Commission is the Report of Michael D. Thomas, Hearing Examiner, of November 14, 2000 ("Report") and the record in this proceeding. Examiner Thomas recommended that we approve the proposed special rate and contract as amended to provide for diversion of gas to serve essential human needs.

Examiner Thomas also recommended approval of the modification to the Company's Risk Sharing Mechanism ("RSM") to provide an additional benefit to other Washington Gas customers. The Commission approved the RSM in Case No. PUE880024 to allocate to ratepayers a portion of the benefit Washington Gas derives from providing delivery service to large customers. The examiner recommended that the Commission accept the Staff's proposal to remove Johns Manville from the Target Margin used in the RSM calculation. The Target Margin set in Case No. PUE940031 and appearing in the Company's Va. S.C.C. No. 8, Sixth Revised Page No. 36 would be reduced by \$105,183 to \$2,641,656.

By letter to the Clerk filed November 17, 2000, the Company asked for immediate consideration of the Report. Washington Gas stated in the letter that the Staff would not file comments. Upon consideration of the Report and the record in this proceeding, the Commission will adopt the examiner's recommendation and approve the special rate and contract pursuant to § 56-235.2 of the Code of Virginia.

This is a case of first impression for the Commission. When the Commission has previously considered applications brought under § 56-235.2, the special rate was used to induce a large specialty steel company to locate a new manufacturing plant in Virginia. The special rate in those cases was approved to further economic development. In this case, we have a business that has been operating in Virginia for approximately 20 years. The public interest in approval of the contract may not be readily apparent.

The language of the special rate statute does not limit its use solely to inducing new businesses to locate in Virginia. As provided in § 56-235.2 A, the Commission may approve "special rates, contracts or incentives to individual customers or classes of customers where it finds such measures are in the public interest." Subsection C requires that the Commission "ensure that such action (i) protects the public interest, (ii) will not unreasonably prejudice or disadvantage any customer or class of customers, and (iii) will not jeopardize the continuation of reliable . . . service." We find that the record in this proceeding supports the findings required by law.

There is credible evidence that Johns Manville could bypass the Washington Gas system and construct its own pipeline to reduce the cost of transporting gas. The record shows that the special rate and contract were developed in response to this

possibility. It is in the public interest to maximize the use of existing facilities and to keep Johns Manville on the Company's system.

The general body of ratepayers benefits if Johns Manville remains a customer of Washington Gas. If Johns Manville left the Washington Gas system, other customers might be required to bear the burden of recovering the cost of this pipeline in their rates. As shown in Company and Staff studies using a variety of economic and financial assumptions, the special rate and contract are expected to provide a positive return on rate base for Washington Gas. The Company will continue to recover Johns Manville's proportionate share of the costs of the pipeline serving its plant and other costs. While Washington Gas will experience some loss of revenue if Johns Manville moves from Rate Schedule No. 7 to the contract, the arrangement provides some benefit to the Company and other customers. The Company's agreement to revise the RSM is an additional benefit for ratepayers.

The Company's pipeline serving the Johns Manville plant and other customers has sufficient capacity to provide the anticipated consumption under the special contract. As noted, Washington Gas and Johns Manville have amended the special contract to provide that gas delivered by the contract may be diverted to serve essential needs in an emergency.

Based on the record, the Commission finds that the proposed special rate and contract protects the public interest and does not disadvantage other customers. The Company and its ratepayers benefit if Johns Manville remains on the system. Further, implementation of the special rate and contract will not jeopardize service reliability.

Accordingly, IT IS ORDERED THAT:

(1) The application of Washington Gas is granted, upon the condition that the Company revise its RSM as discussed in this Final Order Approving Special Rate and Contract.

(2) As provided by § 56-235.2 of the Code of Virginia, the special rate and contract, as modified to provide for diversion of gas to meet essential human needs, is approved as of the date of this Final Order Approving Special Rate and Contract.

(3) This case is dismissed from the Commission's docket.